Industrial Growth Management Limited
Annual Report
for the Year ending March 31, 1972

BOARD OF DIRECTORS

Richard C. W. Mauran
President, Industrial Growth Management Limited
Chairman of the Board
Harvey's Foods Limited

Alexander Christ
Vice-President, Industrial Growth Management Limited

George B. Sukornyk, Q.C.
Chairman of the Board
The Angot Group
Vice-President, Industrial Growth Management Limited

James A. Stephenson
Secretary-Treasurer, Industrial Growth Management Limited
Barrister and Solicitor,
Beaton, Leake & Fellowes

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Director, Midland-Osler Securities Limited

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238 Bloor St. West,
Toronto 181, Ontario

TRANSFER AGENT AND REGISTRAR
The Canada Trust Company

AUDITORS
McDonald, Currie & Co.
Toronto, Ontario

BANKERS
Canadian Imperial Bank of Commerce
The Royal Bank of Canada

COUNSEL
Beaton, Leake & Fellowes
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TO OUR SHAREHOLDERS

It is with pleasure that I present our third annual report.

Industrial Growth Management Limited (IGM) was incorporated on July 21, 1967, as a management company designed to manage pools of capital on a fee basis and to provide management services to Corporations in which it has invested in. Consequently, IGM manages the funds of two public open-end mutual funds and invests its own surplus funds primarily in younger companies where considerable growth potential exists and where the business and financial expertise of the IGM management can be of benefit.

The fiscal year ending March 31, 1972 showed a very satisfactory improvement in earnings. Earnings from operations and from IGM's share of earnings in controlled and subsidiary companies were $232,880 or $.70 per share versus $45,775 or $.14 per share in the prior fiscal year (which extended for 14 months due to a change in the company's year-end from January 31st to March 31st). In addition, for the year ended March 31, 1972, capital transactions (which include profits on the redemption of debentures and loss on the sale of securities) showed a total gain of $461,005 or $1.40 per share versus a loss of $99,776 for the prior fiscal period, which likewise extended for 14 months. We have separated earnings into two areas as shown above in order to give our statements greater clarity for shareholders. Earnings from IGM's operations and from the operations of effectively controlled and subsidiary companies tend to have some predictability and are within the more immediate influence of management. Earnings from capital transactions tend to be infrequent, non-recurring and, because of IGM's large investment in a relatively few companies, are of a fairly substantial nature. Also, earnings from this source will take place only when a change is definitely necessary such as the sale of a control position, maturity of a long term investment or where managerial services are no longer required.

There were several major transactions which highlighted the year and which are explained further under the description of some principal investments later in the annual report. The most significant of these was the increased investment in Harvey's Foods Limited. IGM invested an additional $1 million directly with the Company in a private financing. The terms of the financing enabled Harvey's to repay several outstanding obligations and significantly strengthened the Company's balance sheet. As a result of this financing, IGM currently holds approximately 45% of the outstanding common shares of Harvey's and this interest could expand to approximately 53% if the currently outstanding share purchase warrants were exercised. We believe that this financing was sound for both IGM and Harvey's and that important profit potential exists from this investment in the years ahead.

Another most significant event was the very successful issue of common shares to the public by KNOGO, Inc. (of the U.S.). We now have a substantial paper profit in this investment which was made three years ago. However, of greater significance is the fact that the Company is now well financed and able to aggressively expand its market penetration. We continue to believe that the KNOGO anti-pilferage device has major profit potential in the U.S., Canada and Europe, and IGM has an investment representation in this product in all these territories.

Another significant development occurred since our fiscal year-end. Grissol Foods Limited, one of our more important investments, has received an offer for the Company from Imasco Limited. The terms of the offer are $11 per share to the common shareholders. Since IGM's investment was in the nature of $2 million 6% debentures and warrants exercisable at $8 per share, we have been offered par ($2 million) for the debentures and $3 per warrant ($600,000). The directors of Grissol have approved the offer and we have agreed to sell our portion, although somewhat reluctantly. Our position was difficult since we had to balance between the conflicting thoughts that the superb Grissol management had guided this Company into an important and very profitable position in its industry and that the investment offered continued profit potential as against the fact that we were minority shareholders in what was still a relatively small regional company. If all the conditions of the offer are fulfilled, we would expect to receive our funds on or about August 14, 1972 and we will have experienced a substantial capital gain.

Since going public in 1969, IGM has experienced several phases of development. The first year was primarily devoted to making the operational transition from a private to a public company and in investing surplus funds. The second year was devoted to concentrating our funds and efforts on a smaller number of investments which would offer the greatest potential rather than pursuing the scattered approach which we felt diffused both our capabilities and our resources. The third year continued to see this investment approach further applied and we began to experience the fruits of our earlier efforts as all areas reported both increased profits and good prospects for the year ahead. Our immediate outlook appears favourable and we would therefore expect continued growth in both earnings and assets in the coming fiscal year.

Respectfully,

R. C. W. MAURAN,
President

July 27, 1972

DESCRIPTION OF SOME PRINCIPAL INVESTMENTS

Harvey's Foods Limited

Harvey's, a public company listed on the Toronto Stock Exchange, is one of the leading Canadian "fast-food" operating and franchising companies operating under the well known names of "Harvey's" and "Swiss Chalet Bar-B-Q". Your management was one of the founding investors in this successful young company. As of March 31, 1972, IGM held approximately 45% of the outstanding common shares and also held 1,000,000 share purchase warrants exercisable at $1.00 per share until 1986 which, if exercised, would raise IGM's interest in Harvey's to approximately 53%.

After several years of extremely rapid growth, fiscal 1970 and 1971 proved to be difficult years for the Company as the capital markets prevented adequate financing which would have continued the rapid expansion programme followed during the prior years. Also the Company's management depth was severely strained during this rapid growth period. Thus it was decided during 1970 to manage the current locations on a more efficient basis and to improve the Company's balance sheet before any further expansion steps were undertaken. Satisfied that management was pursuing its goals wisely and being impressed with the increased level of efficiency IGM has, during the past 2 years, provided additional financing for the Company via direct placements with Harvey's, in addition to making some earlier open-market purchases of the common stock when we felt its price was over-discounting the Company's problems.

Our confidence in Harvey's was well-supported by the Company's 1972 fiscal results. Net earnings for the fiscal year ended March 26, 1972 were $320,694 or $.06 per share versus a loss of $15,492 in the prior fiscal year. Results for early fiscal 1973 indicate a continued strong improvement in both sales and earnings and the Company is now planning additional units for 1972. Because IGM is able to take approximately 45% of Harvey's net earnings on an "equity" basis in its own accounts, this progress should reflect favourably in IGM's earnings statement.

However, the common stock price still appears to suffer from the severe price decline experienced by the "franchising" group of stocks during the past few years and currently Harvey's sells at a low price-earnings ratio and at a considerable discount from book value. As earnings continue their recovery, we believe a more satisfactory relationship between the stock price, earnings and book value should materialize.

Industrial Growth Fund — Industrial Pension Fund

IGM has the exclusive management contract to manage the assets of the Industrial Growth Fund, an open-end mutual fund which was started at the beginning of 1968 and the Industrial Pension Fund, an open-end mutual fund designed for pension money which was started in mid-1971. Assets under administration for the period ended March 31, 1972 showed a gain of 16% from the prior year's total. With assets of approximately $4 million, IGM is able to make a profit in managing these funds and considerable leverage exists as assets under administration grow. The Growth fund was started too late to experience any infusion of public funds during the great popularity for mutual funds in 1967-68, but showed good stability and avoided any redemption problems during the weak markets of 1969-70, and has shown good growth during 1971-72. Particular emphasis has been laid on managing the funds of organizations which require professional management of their assets and progress has been made in the pension fund field. Our management record for 4½ years of operation is superior to the popular market averages and above-average within the mutual fund industry. We believe we are building a record of capable money management which will gradually result in increased assets under administration.

Knogo Corporation, Inc. (U.S.A.) — Knogo Corporation Limited (Canada)

The Knogo anti-pilferage detection system is a revolutionary new product aimed at preventing shop lifting. Designed for department stores and other retail outlets, the Knogo system is based on a small electronic wafer, which is attached to every garment and may only be removed by means of a special cutting machine at the time of purchase. If the merchandise is taken from the department store with the wafer still attached, an electronic beam is broken, thereby sounding an alarm which activates a warning signal. Reports from users indicate that the KNOGO system has had a significant effect in cutting down on store pilferage. Users in the United States have been operating the KNOGO system for up to 4 years. We feel this is a technically feasible system which offers major growth potential. The direct benefit to the merchandiser is that it attacks a major problem in the retailing industry and if successful, is likely to penetrate the entire industry.

IGM entered this situation by financing the U.S. Company in 1969 via a $500,000 (U.S.) 6% debenture with 100,000 share purchase warrants attached convertible into common stock at $5 per share until 1982. For this financing, IGM received the exclusive Canadian, Commonwealth, and West German franchise rights for the production and distribution of the KNOGO system.

The U.S. Company developed the product over 5 years ago and began to directly market the product in 1969. Although the early progress was hindered by the normal problems of introducing a new product and the difficulties of being underfinanced, the Company did well in this early period in laying a foundation for future sound growth. Net income for the year ended February 29, 1972 was $93,981 or $0.13 per share versus a loss of $66,642 in the prior period.

However, 1972 will mark a significant acceleration in the Company's progress. First, and most important, the product is gaining obvious acceptance and retailers throughout the world are beginning to use anti-pilferage detection systems. Therefore, sales results for the current fiscal year are experiencing a significant increase. Secondly, in March 1972, the Company sold shares to the U.S. public. A total of 250,000 common shares were sold at $7 per share and the Company received approximately $1.6 million from the offering. This infusion of funds has enabled the Company to significantly increase its marketing efforts and the initial results from this programme are most gratifying. The market's acceptance of the new public issue was gratifying and the price rose from the initial offering of $7 per share to a high of $17 per share, and currently is trading slightly below its high point. This price represents a significant paper profit on IGM's initial investment.

The Canadian company — KNOGO Corporation Limited — was started in 1969 and began marketing the product in Canada in the fall of 1969. Initial sales responses and the result from the early customers indicate substantial benefit in reducing pilferage. The Canadian company sold shares to the public in March 1970 which yielded the Company approximately $600,000, enabling it to proceed with its manufacturing and marketing programme adequately financed. In addition, during 1971, Knogo purchased Datatran Computer Services Limited (a computer service bureau) and Advanced Computer Dynamics Schools Limited (a school offering students computer instruction in key punching and programming). IGM holds a controlling interest in the Canadian Company. Thus far the results from the combined divisions have shown excellent improvement. For the 6 month period ended March 31, 1972, the Company reported net earnings of $25,159 versus a loss of $4,331 in the prior period's results. All indications are that this trend of improvement is continuing. Furthermore, in order to take advantage of both the Company's improving cash flow and the growing acceptance of the product, the Company is opening a U.K. office during July 1972.

In summary, although the KNOGO system is a completely new product which holds the inherent risks of any untried product, we feel the potential well justifies the risks and the initial progress in both companies has been satisfactory. For many decades retailers have been passing along to their customers through increased prices the costs of stolen merchandise. It is understandably difficult for retailers to adopt new security procedures and systems overnight. However, the problem of increasing inventory shrinkage in the retail industry is focusing great attention on security and pilferage control devices such as the KNOGO System.

Spretty Corporation Ltd.

The investment in Spretty Corporation Ltd. was made in May 1969 at which time Spretty Corporation Ltd. acquired control of all the outstanding shares of Tilly Manufacturing Ltd. (formerly Tillotson Rubber Co. Ltd.).

A high quality toy manufacturer since 1940, Tilly Manufacturing Ltd. is the largest Canadian manufacturer of Latex balloons, beach balls, punch balls, and vinyl dolls and squeeze toys, distributed to large department stores and toy stores across Canada under trade mark "Tilly".

In January 1970 Tilly Manufacturing Ltd. acquired all the assets and the business of L. Tanguay Products Ltd. of Sherbrooke, Quebec, a subsidiary of the Oak Rubber Company, Ravenna, Ohio. L. Tanguay Products Ltd. was engaged in balloon manufacturing, specializing in advertising balloons and in minted wrapped advertising toothpicks. All assets were moved to the plant of Tilly Manufacturing Ltd. in St. Johns, Quebec. A new division was opened in March 1972 to engage in the vacuum forming of plastic products, including marine and other recreational products. Experienced personnel were recruited to manage this product area.

This investment was made because of an attractive purchase price for a stable, profitable business. The prospects for future growth were enhanced by the attraction of an aggressive new management to replace the retiring management. Spretty is, at present, a wholly owned subsidiary of IGM offering good prospects for the enhancement of our investment.

INDUSTRIAL GROWTH MANAGEMENT LIMITED

BALANCE SHEET as at March 31, 1972

ASSETS

	1972 $	1971 (note 2) $
Current assets		
Cash and bank deposit receipts	—	671,836
Short-term note	—	99,624
Prepaid income taxes	—	10,892
Accrued interest and dividends receivable	60,100	64,343
Deposits, prepaids and miscellaneous receivables	22,641	20,905
	82,741	867,600
Investments (per schedule of investments)		
Effectively controlled and subsidiary companies — on equity basis	11,350,048	10,698,148
Securities without quoted market value — at cost	2,989,232	3,154,232
Securities with quoted market value — at cost	100,000	217,500
Investment property — at cost, less accumulated depreciation of $25,099 (1971 — $18,131)	76,557	83,525
	14,515,837	14,153,405
Fixed assets — at cost, less accumulated depreciation of $18,138 (1971 — $14,166)	11,473	14,547
	$14,610,051	$15,035,552

SIGNED ON BEHALF OF THE BOARD

R. C. W. MAURAN, Director

ALEXANDER CHRIST, Director

LIABILITIES

	1972 $	1971 (note 2) $
Current liabilities		
Bank overdraft and bank loan	31,746	—
Accounts payable and accrued liabilities	82,433	82,811
Demand note payable to a shareholder	170,000	320,000
Current portion of mortgage payable	2,274	2,112
Income taxes payable	1,358	—
	287,811	404,923
Long-term debt		
5% subordinated sinking fund debentures, due January 31, 2009 (notes 6 and 7)	3,000,000	4,000,000
7½% mortgage payable, less current portion	10,185	12,459
	3,010,185	4,012,459
	3,297,996	4,417,382

SHAREHOLDERS' EQUITY

Capital stock (note 7)		
Authorized —		
1,000,000 7% non-cumulative non-voting preference shares redeemable at par value of $10 each		
1,500,000 common shares without par value		
Issued and fully paid —		
900,000 preference shares	9,000,000	9,000,000
330,000 common shares	1,159,910	1,159,910
	10,159,910	10,159,910
Retained earnings	1,152,145	458,260
	11,312,055	10,618,170
	$14,610,051	$15,035,552

STATEMENT OF EARNINGS

	March 31, 1972 $	Fourteen months ended March 31, 1971 (note 2) $
Income:		
Interest and dividends	249,423	394,040
Management fees (note 8)	57,109	63,138
Management fee from subsidiary company	60,000	15,000
Commissions	3,275	2,940
Rental	5 000	5,000
	374,807	480,118
Expenses		
Direct —		
Interest on long-term debt	150,993	238,931
Remuneration of senior officers as defined by the Ontario Business Corporations Act	55,420	46,024
Commissions	2,810	—
General and office	31,543	36,034
Depreciation	10,940	15,226
Legal and audit	6,940	15,385
Custodian and transfer fees	2,543	2,713
Investment research	—	12,200
	261,189	366,513
	113,618	113,605
By agreement (note 8)		
Legal and audit	16,026	13,744
Custodian and transfer fees	4,475	3,562
Printing	3,641	3,698
	24,142	21,004
Net earnings from operations	89,476	92,601
Share of earnings (losses) of effectively controlled and subsidiary companies (note 3)	173,900	(11,326)
Earnings before provision for income taxes and extraordinary items	263,376	81,275
Provision for income taxes	30,496	35,500
Earnings before extraordinary items	232,880	45,775
Extraordinary items		
Loss on sale of investments (note 1)	(47,077)	(254,376)
Gain on redemption of 5% convertible subordinated debenture due —		
June 1, 1989	—	154,600
January 31, 2009	508,082	—
	461,005	(99,776)
Net earnings (loss) for the period	693,885	(54,001)
Earnings per common share (note 4)		
Earnings before extraordinary items	$0.70	$0.14
Net earnings (loss) for the year	$2.10	($0.16)

STATEMENT OF RETAINED EARNINGS

	March 31, 1972 $	Fourteen months ended March 31, 1971 (note 2) $
Retained earnings — beginning of period		
As previously reported	548,580	591,255
Share of losses of effectively controlled and subsidiary companies (note 3)	90,320	78,994
As restated	458,260	512,261
Net earnings (loss) for the period	693,885	(54,001)
Retained earnings — end of period	1,152,145	458,260

SCHEDULE OF INVESTMENTS

MARCH 31, 1972

(NOTES 3 AND 5)

	Par value or number of shares	Cost $	Share of earnings (losses) $	Carrying value $
EFFECTIVELY CONTROLLED COMPANY				
Harvey's Foods Limited				
Common shares (market value, $2,994,097)	2,395,278	6,255,370	127,821	6,383,191
Series 2 (1967) share purchase warrants exercisable at $1.00 per share on or before July 31, 1986	390,000	2,782,300	—	2,782,300
Series 2 (1971) share purchase warrants exercisable at $1.00 per share on or before July 31, 1986	610,000	30,500	—	30,500
Series 3 (1968) share purchase warrants exercisable at $1.66 per share on or before May 15, 1977	30,000	212,700	—	212,700
8% debentures, due July 31, 1991 which may be redeemed for the purpose of purchasing common shares under the Series 2 (1967) and (1971) warrants	$1,000,000	952,300	—	952,300
		10,233,170	127,821	10,360,991
SUBSIDIARY COMPANIES				
Knogo Corporation Limited				
Common shares (market value $543,996)	236,520	497,698	(70,682)	427,016
Share purchase warrants	245,000	24,500	—	24,500
		522,198	(70,682)	451,516
Spretty Corporation Limited				
Common shares	110	1,100	26,441	27,541
5% non-cumulative, redeemable, non-convertible preference shares	5,100	510,000	—	510,000
		511,100	26,441	537,541
		11.266,468	83,580	11,350,048
SECURITIES WITHOUT QUOTED MARKET VALUE				
Canadian Reserve Investors Ltd.				
Common shares	119,680	60,201		
The Granure Corporation Limited				
Common shares	37,000	—		
10% debentures, due 1973-1975	100,000	100,000		
Grissol Foods Limited share purchase warrants	200,000	100,000		
Grissol Properties Limited				
6% first mortgage bond, due July 1, 1989	$2,000,000	1,900,000		
Helix Investment Ltd.				
Common shares	10,000	10,000		
6% redeemable, non-cumulative preference shares, par value $10	10,000	100,000		
Knogo Corporation (New York)				
6% debentures, due May 15, 1979 (U.S.)	$ 500,000	540,031		
Share purchase warrants exercisable at not more than $5 per share on or before	100,000	—		
Twin Richfield Oils Ltd.				
8% convertible debentures, due June 30, 1974	$ 150,000	148,750		
Share purchase warrants	12,500	1,250		
Miscellaneous		29,000		
		2,989,232		
SECURITIES WITH QUOTED MARKET VALUE				
Industrial Pension Fund				
Mutual fund units (market value $108,700)	10,000	100,000		

STATEMENT OF SOURCE AND USE OF WORKING CAPITAL

MARCH 31, 1972

	March 31, 1972 $	Fourteen months ended March 31, 1971 (note 2) $
Source of working capital		
Provided from operations —		
Net earnings (loss) for the year	693,885	(54,001)
Depreciation	10,940	15,226
Loss on sale of investments	47,077	254,376
Share of (earnings) losses of effectively controlled and subsidiary companies	(173,900)	11,326
	578,002	226,927
Proceeds on sale of investments	305,423	3,288,920
	883,425	3,515,847
Use of working capital		
Purchase of investments	548,000	3,032,133
Purchase of fixed assets	898	—
Redemption of 5% subordinated sinking fund debentures, due January 31, 2009	1,000,000	—
Redemption of 5% convertible subordinated debentures, due June 1, 1989	—	400,000
Reduction of mortgage	2,274	2,112
	1,551,172	3,434,245
Increase (decrease) in working capital	(667,747)	81,602
Working capital — beginning of period	462,677	381,075
Working capital (deficiency) — end of period	(205,070)	462,677

NOTES TO FINANCIAL STATEMENTS

1. **INVESTMENT POLICY**
The company is involved in the long-term investment in and management of companies. Any gains or losses on sale of investments are not considered to be typical of the company's normal business activities, are not expected to occur regularly and are included in the statement of earnings as an extraordinary item.

2. **COMPARATIVE FIGURES**
Certain of the 1971 figures have been reclassified to conform with the 1972 financial statement presentation and to give retroactive effect to the change in the basis of accounting described in note 3 below.

3. **CHANGE IN BASIS OF ACCOUNTING**
The company has changed its method of accounting for its investments — Harvey's Foods Limited (45% owned) and subsidiaries, Knogo Corporation Limited (62% owned) and Spretty Corporation Limited (100% owned) from the "cost" to the "equity" basis. The "equity" rather than the "consolidation" method has been followed in respect of the subsidiary companies in order to conform with the treatment afforded to the company's largest investment, Harvey's Foods Limited.
Under the equity basis of accounting, the company's share of profits or losses of effectively controlled and subsidiary companies is included in income as earned and the investment increased or decreased respectively. Dividends received are recorded as a reduction in the investment.
No inter-company eliminations have been made as such eliminations would not change the net earnings (loss) for the period.
This change has had the effect of increasing the earnings before and after extraordinary items by $173,900 or $0.53 per share (1971 as restated — reduced by $11,326 or $0.03 per share).
The balance of retained earnings at March 31, 1971 previously reported as $548,580 has been restated to show a retroactive charge of $90,320 representing the cumulative share of losses from effectively controlled and subsidiary companies to March 31, 1971. Of the $90,320, $11,326 is applicable to the period ended March 31, 1971 and has been charged to income for the year. The remaining $78,994 is applicable to periods prior to March 31, 1971 and has been charged to retained earnings at that date, previously reported as $591,255.
The share of earnings of Knogo Corporation Limited includes the results for the six months ended March 31, 1972 which are unaudited.
The excess cost of the company's investment in common shares of effectively controlled and subsidiary companies over the underlying equity in the net book value of the assets of such companies as at date of acquisition amounted to $3,298,481.

4. EARNINGS (LOSS) PER SHARE

Fully diluted earnings (loss) per share giving effect to further share issues under presently existing rights is not provided as the effect is not dilutive.

5. INVESTMENTS

(a) Harvey's Foods Limited

The investment in 2,395,278 common shares is stated at a carrying value of $6,383,191 and is in excess of the market value and the underlying equity in the net book value at March 31, 1972 by $3,389,094 and $3,110,688 respectively. The stock purchase warrants are stated at a cost of $3,025,500 and any imputed value, based upon the market value of the common shares at March 31, 1972 is significantly below cost. Management is of the opinion that a value based on the present market price of the common shares does not represent the intrinsic value of these securities as they represent the controlling interest and in the absence of any other reasonable basis of valuation believes that these securities should be valued at the carrying value of $9,408,691.

(b) Knogo Corporation Limited

92,000 common shares and 245,000 share purchase warrants of Knogo Corporation Limited owned by the company have been deposited with a trust company under the terms of an escrow agreement and can be released only by written approval of the Ontario Securities Commission.

(c) Spretty Corporation Limited

Under an agreement dated April 3, 1970, B.C.T. Enterprises Ltd. acquired an option to purchase up to 20% of the capital stock of the company's wholly-owned subsidiary, Spretty Corporation Limited, at a price of $100 per preference share and $10 per common share on or before April 1, 1980.

6. SINKING FUND REQUIREMENTS

Sinking fund requirements of the 5% subordinated sinking fund debentures due January 31, 2009 are $150,000 in each of the years ending January 31, 1990 to 2,008 inclusive.

7. COMMON SHARE PURCHASE WARRANTS

There were issued on January 2, 1969, to the purchasers of the 5% subordinated sinking fund debentures due January 31, 2009, share purchase warrants entitling the holders thereof to purchase at any time an aggregate of 800,000 common shares of the company at a price of $10 per share as adjusted from time to time in accordance with the provisions of a warrant indenture dated December 15, 1968.

At March 31, 1972, 835,000 common shares were reserved for issue under these warrants as follows:

Original share purchase warrants (exercisable at $10 per common share)	800,000
Additional warrants issued —	
Series A warrants (exercisable at $20 per common share)	14,000
Series B warrants (exercisable at $16.66 per common share)	21,000
	835,000

8. MANAGEMENT FEES

Under agreements the company, in return for a management fee, pays certain expenses of Industrial Growth Fund and Industrial Pension Fund.

9. SUBSEQUENT EVENT

Subsequent to March 31, 1972 the company received an offer to purchase the 6% first mortgage bond of Grissol Properties Limited and 200,000 share purchase warrants of Grissol Foods Limited for a consideration of $2,600,000.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Industrial Growth Management Limited as at March 31, 1972 and the statements of earnings, retained earnings and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the previous auditors who examined the financial statements for the fourteen-month period ended March 31, 1971.

As disclosed in note 5 the current market value of the investment in common shares and warrants of Harvey's Foods Limited (representing the controlling interest) is significantly below the cost thereof. We are unable to form an opinion on the value of this investment.

Subject to the foregoing qualification, in our opinion, the accompanying financial statements present fairly the financial position of the company as at March 31, 1972 and the results of its operations and the source and use of its working capital for the year then ended, in accordance with generally accepted accounting principles after giving retroactive effect to the change in accounting referred to in note 3 to the financial statements, on a basis consistent with that of the preceding year

Toronto, Ontario
June 20, 1972

McDONALD, CURRIE & CO.
Chartered Accountants